

Message Text

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73

ORIGIN EB-07

INFO OCT-01 AF-08 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-07

AID-05 CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-15 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

ACDA-10 /135 R

DRAFTED BY EB/ORF/FSE:GRRASE:KG

APPROVED BY EB/ORF/FSE:LRRAICHT

NEA/AFN:DJAMESON

AF/W:ELOLLIS (INFO)

NEA/IRN:RBEALES (INFO)

EUR/SOV:JTREICHEL (INFO)

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P 262139Z JUL 76

FM SECSTATE WASHDC

TO AMEMBASSY ALGIERS PRIORITY

INFO AMEMBASSY LAGOS PRIORITY

AMEMBASSY TEHRAN PRIORITY

AMEMBASSY MOSCOW PRIORITY

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E.O. 11652:N/A

TAGS: ENRG

SUBJECT: FPC RULING ON LNG CONTRACT

1. DEPARTMENT HAS RECENTLY BEEN APPRISED OF A JUNE 4
FPC RULING CONCERNING THE DISTRIGAS/SONATRACH LNG PROJECT.
THIS RULING WAS MADE IN RESPONSE TO DISTRIGAS' SPECIAL
MAY 7, 1976 TENDER FOR FILING TARIFF SHEETS. THE FPC
ACCEPTED DISTRIGAS' SPECIAL RATE SCHEDULE NO.1 FOR
FILING SUBJECT TO DELETING CERTAIN LANGUAGE. THUS,
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PRESUMABLY THIS SECTION OF CONTRACT WILL HAVE TO BE

RENEGOTIATED WITH GOA BEFORE FINAL FPC APPROVAL OF IMPORT APPLICATION.

2. THE DELETION CONCERNED THE "PURCHASED LNG COST ADJUSTMENT," AN AUTOMATIC ADJUSTMENT CLAUSE NORMALLY DISALLOWED BY THE FPC. THE FPC INDICATED THAT IT DOES ALLOW AUTOMATIC PASSTHROUGHS ON DOMESTIC GAS PRICES. THIS CAN BE DONE BECAUSE DOMESTIC GAS PRICES ARE ADMINISTERED FROM THE WELLHEAD AND THE FPC CAN ASSURE TO ITS SATISFACTION THAT THE END PRICE IS "JUST AND REASONABLE". BECAUSE THE FPC DOES NOT HAVE WELLHEAD TO CONSUMER CONTROL OVER IMPORTED GAS PRICES, HOWEVER, ITS REGULATIONS PROHIBIT THE USE OF AUTOMATIC ADJUSTMENT

PROVISIONS SUCH AS THOSE IN DISTRIGAS' TENDER. UNLESS GOOD CAUSE IS FOUND (AND THE FPC FOUND NONE IN THE DISTRIGAS CASE) ALL CONTRACTS FOR IMPORTS OF GAS WHICH INCLUDE AUTOMATIC PRICE ADJUSTMENTS WILL BE REJECTED.

3. FYI. THIS IS NOT NEW POLICY, NOR IS IT AIMED AT ALGERIAN LNG. AN EARLIER CONTRACT INVOLVING IMPORTS OF CANADIAN GAS WAS DISALLOWED ON THE SAME GROUNDS. END FYI. KISSINGER

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Decaption Note:
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Disposition Approved on Date:
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Disposition Comment:
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Disposition Event:
Disposition History: n/a
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